

London Borough of Enfield

GENERAL PURPOSES COMMITTEE

Meeting Date: 04 August 2021

Subject: Enfield Pension Fund Draft Financial Statement for 2020/21

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: No

Purpose of Report

1. This report presents the Pension Fund Statement of Accounts for 2020/21 for approval.
2. The Draft Pension Fund Statement of Accounts 2020/21 is attached as Appendix A to this report.

Proposal

3. The Committee is recommended to:
 - i) Note the contents of this report and the attached Draft Pension Fund Statement of Accounts 2020/21 set as Appendix A.

Reason for Proposal

4. For financial years 2020/21 and 2021/22 the Accounts and Audit Regulations 2015 require that each Local Authority approve its audited financial report statements by the statutory deadline of 30 September. The external auditors are required to audit accounts and to provide an audit opinion by the same date. The draft accounts are required to be published by 1 August.
5. The Pension Policy & Investment Committee (PPIC) acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The PPIC's terms of reference require that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication. The Local Government Pension Scheme Regulations 2013, Regulation 57 require the Pension Fund to publish its report and accounts by 1st December following the financial year end and for the Report to contain a number of standard items.
6. The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance and also helps to demonstrate effective management of Fund assets

Relevance to the Council's Corporate Plan

7. Good homes in well-connected neighbourhoods.
8. Build our Economy to create a thriving place.
9. Sustain Strong and healthy Communities.

Background

THE STATEMENT OF ACCOUNTS

10. The Accounts comprise two main statements with supporting notes. The main statements are:
 - i) Dealings with members, employers and others which is essentially the fund's revenue account; and
 - ii) The Net Assets Statement which can be considered as the fund's balance sheet.
11. The return on investment section of the accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial transactions and movements in the market value of the investment portfolio. The statement has two main sections:
 - i) The financial transactions relating to the administration of the fund; and
 - ii) The transactions relating to its role as an investor.
12. Overall, the Fund's assets have performed exceptionally well with the asset value increasing by £256m in the financial year. The overall improvement was due to the out performance of the financial markets in which the Fund held its investments and a net addition from dealings with members.
13. The net asset statement represents the net worth (£1,406m) of the Fund as at the 31st March 2021. The statement reflects how the transactions outlined in the other statement have impacted on the value of the Fund's assets.
14. The Fund income section of the report principally relates to the receipt of contributions, from employers and active members, and the payment of pensions benefits. The section indicates that the Fund is cash positive as the receipt of contributions exceeds payments, which stood at £5.5m net additions for 2020/21 compared to net addition of £7.1m in 2019/20.
15. Investment income improved over the year as expected in line with strengthened assets value by some £1.2m. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) was more than £1.2m over the year. It is not possible to predict the value of transfer value payments as they are dependent on an individual's length of service and salary and as such may vary significantly. The total contributions reduced over the year by £2m compared to last year this was due to London Borough of Enfield employer contribution rate having reduced from 24.9% to 20.9%.

16. In 2020/21 the overall expenditure increased by some £2.2m. The major contributors were the overall benefits paid which increased by some £1.6m over the year. The management expenses went up by some £2m and the major contributor is a £1.4m increase in the investment management fees and £0.5m due to an increase from administration costs due to a 'top heavy' first year charge of Heywood for Altair of £0.575m (Year 1 of the contract), year 2 (2021/22) will drop to £0.165m + RPI.
17. Note 22, disclosure memorandum on additional voluntary contributions (AVC) still needs to be completed as the Finance Team is still waiting for Prudential, the current service provider to provide this information. In June 2021 Prudential wrote to inform the Council that the provision of the scheme annual statement is expected to be at least 8 weeks later than usual, to be received hopefully before end of August 2021. And Prudential has informed the Pensions Regulator of the delays and challenges being experienced are due to changes to their systems.
18. Overall, fund membership has increased slightly from 23,123 to 23,690, an increase in membership number of 567. The active members increased by 357 members over the year whilst deferred members increased slightly by 11. Retired membership increased significantly by 199 members.
19. The investment performance section of the report details returns on the investment portfolio, the impact of managers' activities and investment markets on the value of investments.
20. The Audit Plan for the Pension Fund and any reports arising from the audit will be reported to the Pension Policy & Investments Committee. However, as the pension fund accounts remain part of the financial statements of the Council as a whole, the General Purposes Committee retains ultimate responsibility for receiving, considering and agreeing audit plans as well as receiving any reports arising from the audit.
21. The External Auditor provides an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance. The external auditor is required to issue an ISA 260 report, an opinion on the Council's accounts and this will include an opinion on the Pension Fund accounts. The ISA 260 report sets out their opinion and any issues which they believe the Committee should be aware of.
22. The Pension Fund accounts is ready to be submitted to the Council's external auditors for external audit. The Fund is still awaiting the commencement of the external audit. It is anticipated that there will be no significant findings.
23. The Pension Fund audit has not started yet by BDO and the audit fee is being maintained at £19,000, this would be charged to the Pension Fund.
24. The Finance Team is yet to complete the reviewing of the draft Statement of Accounts and it is possible that minor amendments will be made to the set attached as Appendix A before publication on 1 August 2021.

Safeguarding Implications

25. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Public Health Implications

26. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

27. There are no equalities impact of the proposal arising from this report.

Environmental and Climate Change Considerations

28. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

29. Accounts provide an effective mechanism to safeguard the Council's assets and assess the risks associated with its activities.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

30. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

31. The Council as Administering Authority has the responsibility of ensuring that the Pension Fund is administered effectively and efficiently and that arrangements for financial management are properly scrutinised. The performance of the fund affects the level of employer's contribution to the fund.
32. The Pension Fund Statement of Accounts sets out the financial position of the Pension Fund as at 31st March 2021 and acts as the basis for understanding the financial wellbeing of the Pension Fund. It enables Members to manage and monitor the Scheme effectively, helping to ensure that they are able to fully understand the financial implications of the decisions they make.

Legal Implications

33. Regulation 57 of the Local Government Pension Scheme Regulations 2013 imposes a duty on the Council as an administering authority to prepare a pension fund annual report.

34. The Council is required to prepare a statement of accounts in accordance with the Accounts and Audit Regulations 2015.
35. The Accounts and Audit Regulations 2015 specify a procedure for signing, approval and publication of a statement of accounts. The chief finance officer is required to sign and date the draft Statement of Accounts by 1 August 2021, certifying that it presents a true and fair view of the Council's financial position at the end of the relevant financial year and of the Council's income and expenditure for the year. The General Purposes Committee must approve the statement of accounts by 30 September 2021 and the statement must be signed by the chair of the meeting at which the accounts were approved.
36. As indicated in the report, it is consistent with good practice for the committee to see the statement of accounts at an early stage, given that it will be asked to approve the accounts upon completion of the audit.

Workforce Implications

37. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

38. None

Other Implications

39. None

Options Considered

40. There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is a legislative requirement

Conclusions

41. The Fund assets increased significantly by £256m over the year. The net asset statement represents the net worth of £1,406m of the Fund. This significant improvement was because of the astounding out performance of global equity market.

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Date of report: 26th July 2021

Appendices

Appendix A – Enfield Pension Fund Financial Statements For 2020/21

Background Papers

None